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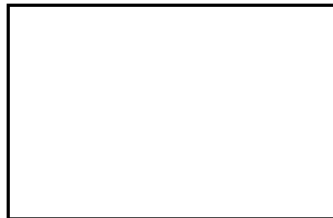
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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday August 17, 1977

CG NIDC 77-191C



NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Wednesday, August 17, 1977.

The NID Cable is for the purpose of informing senior US officials.

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USSR - SOUTH AFRICA: Propaganda

25X1 [] Official Soviet news media are continuing their propaganda campaign on South African nuclear arms programs. In addition, the Soviets have presented demarches to France and West Germany. Whatever the degree of genuine Soviet concern about South African nuclear developments, the timing of the Soviet campaign--one month before the UN General Assembly convenes--suggests that it is designed to gain political advantages for Moscow.

25X1 [] Last year Pravda ran a warning of South Africa's nuclear potential about four weeks before the General Assembly met, and the Soviets used the West's veto of a UN resolution banning the supply of military technology and arms to South Africa as evidence of Western duplicity. Both a Tass release on Sunday and a Pravda commentary on Monday charged the West--and the US, West Germany, and Israel in particular--with assisting the South Africans.

25X1 [] These releases follow a week of Soviet news coverage on this topic that began on August 8 when Tass warned that the South Africans were preparing to test and manufacture nuclear weapons with the aid of NATO nations and Israel. US sales of enriched uranium were used as specific examples of Western complicity. Tass argued that the US and its NATO allies are aiding the South Africans to "consolidate the racist Pretoria regime" and crush the struggle for liberation throughout Africa.

25X1 [] On August 11, Izvestiya took up the issue when it ran a cartoon alluding to US involvement in South Africa's nuclear programs. The following day, Izvestiya returned to this theme in an article which implied that the US was guilty of hypocrisy for not forcing South Africa to live up to the tenets of the nuclear non-proliferation treaty.

25X1 [] The most recent Tass release and Pravda commentary repeated and expanded on many of the earlier Soviet claims. The Tass piece was broadcast in English and quoted European and African press reactions condemning South African nuclear programs. Both Pravda and Tass accused the US, West Germany, France, and Israel of aiding Pretoria since the late 1950s. Tass again expressed high-level Soviet concern and called for immediate UN action to prevent South Africa from going any further.

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EGYPT: President Sadat's Decree

Egyptian President Sadat issued a decree on Sunday delegating all presidential powers to Vice President Mubarak while he rests in Alexandria and his home village--probably until the end of Ramadan in mid-September. For some time, Sadat has seemed fatigued and very worried about domestic difficulties and the uneasy course of his peace initiative; he probably wants to take time off to consider his next moves.

Since the outbreak of hostilities with Libya in mid-July, Sadat has been on the defensive in his public appearances, lashing out at his enemies--Libya and the USSR--in an unusually strident manner. In private, he has appeared tired and harassed. Ambassador Eilts, who met with Sadat on Sunday, described the President as looking tense and under stress. Sadat is especially conscientious about his health and must have felt he could not tolerate both the strain of fasting during Ramadan and the pressures of his current difficulties.

Sadat may also want a period of uninterrupted time to consider his next step in the Arab-Israeli dispute, which in turn will affect his other primary concerns--deteriorating relations with the USSR and his feud with Libya. Although most Egyptians still share Sadat's desire for a peace settlement with Israel, many no longer share his seeming optimism and have come to criticize the way he is handling the current peace initiative. There is mounting concern--of which Sadat almost certainly is aware--that Egypt has allowed itself to be distracted by Libya at the expense of its effort against Israel and has gone too far in antagonizing the USSR, which will play a role in either Middle East peace negotiations or war.

The general perception among Egyptians that Secretary Vance's recent visit to the region failed to break Israeli intransigence has sharpened domestic pressures on Sadat. Thus, he may feel the need to develop ways of diffusing popular frustrations along with mapping out future policy.

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TURKEY: Greek Cypriot Political Uncertainty

[redacted] Turkish leaders regard Archbishop Makarios' death and the ensuing political uncertainty in the Greek Cypriot community as an opportunity to enhance the international stature of the fledgling Turkish Cypriot state and to gain leverage over the Greek side in the event of a negotiated settlement. Their efforts to exploit this opening have thus far come to little. The Turks might, out of pique, take some precipitous action, but the chances of such an act are very slim.

[redacted] In an opportunistic effort to capitalize on the political disarray in the Greek Cypriot sector, the Turks have recently pressed for international recognition of the Turkish Cypriot administration as the equal of the Greek Cypriot - run Cyprus government. The Turks have implied that continuing international recognition of the Greek Cypriot government as the legitimate representative of the entire island could have a negative impact on the chances for progress toward a Cyprus settlement.

25X1 [] The Turkish side argues that the Greek Cypriots have continuously violated the 1960 constitution and that none of the provisions concerning the Turkish Cypriots have been observed since late 1963. Thus, the Turks conclude, it is no longer possible to talk of a republic based on the 1960 constitution, but only of the existence of two autonomous communities. They claim that any vestigial reason for arguing to the contrary has disappeared with Makarios' death.

25X1 [] It is unknown how far the Turks intend to push this line; Ankara's demarche to the US, however, was not made at the highest levels and the Turks have been silent recently in the face of a strongly negative international reaction. It seems likely that having met little success, the Turks have backed off. They are doubtless aware that, although uncertainties in Greek Cyprus remove some of the pressure on Ankara, persistence in their recent demands could offset any benefits from this momentary advantage.

25X1 [] Turkish Cypriot leader Denktash has been even shriller in his efforts to take advantage of the situation in the south. He has even asserted that further talks cannot be held if he is not recognized as the equal of the new Greek Cypriot leader and hinted once again of a declaration of independence. His hard line reflects to a large degree his own need to protect his flank from extremist views.

25X1 [] The government in Ankara, which must also cater to activist domestic sentiment, may not rein in Denktash, but he is well aware that he is beholden to Ankara for crucial diplomatic and economic support and is unlikely to take any major steps without mainland approval.

25X1 [] There are strong indications that when the dust clears the outlines of basic Turkish policy toward Cyprus will look very much as they did before. If anything, progress toward a negotiated settlement will now be slower than before the Archbishop's death, as the Turks will want to test carefully their suspicions that Athens will now have a greater say in Cypriot affairs.

25X1 [] One senior Turkish official recently asserted that Ankara might want to delay another round of formal talks until

after the Greek Cypriot presidential election next February. Informal talks, however, between communal negotiators or senior Greek and Turkish officials, could be held in the meantime.

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[] In his approach to Cyprus, Turkish Prime Minister Demirel continues to be limited by both the views of his coalition partners and the fear that opposition leader Ecevit is waiting to take advantage of any mis-step. Deputy Prime Minister Erbakan, whose hard line contributed to the government's virtual paralysis on Cyprus for two and a half years before the recent parliamentary election, may now have toned down his position somewhat in recognition of the need for compromise in a coalition government.

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[] Even if Demirel has a freer hand in this respect, however, he has been hemmed in by Ecevit's recent advocacy of Turkish settlement in the Turkish-controlled, but unoccupied, Greek portion of Famagusta. Demirel may fear that Ecevit may succeed in selling some Turks on the idea that the Prime Minister is soft on Cyprus. No groundswell of public support for Ecevit's position, however, has developed.

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[] There remains a small chance that the Turks--having dug themselves in on the issue of international recognition of Makarios' successor--will be tempted to do something rash, such as permitting Denktash to declare independence. We do not believe that this is likely, since the Turks are aware of the negative international reactions such a move would trigger. The Turks may in fact soon be looking for a gesture by the international community that would enable them to ease their way back from the diplomatic limb on which they find themselves.

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MOROCCO: Polisario Guerrillas

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[] //The Moroccan forces that began a sweep operation in the Western Sahara earlier this month have encountered few Polisario guerrillas. The Moroccans are claiming some success in dispersing the guerrillas and disrupting their logistics support.

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[] The guerrillas have avoided contact with the Moroccans and probably are waiting for the end of the sweep to resume their activities.

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25X1 [redacted] //On August 4, some 20,000 Moroccan troops launched a sweep in the Western Sahara to destroy Polisario logistic facilities and interdict routes to and from the guerrilla's Algerian havens.

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25X1 [redacted] //The Moroccans hope these measures will restrict the Polisario's freedom of movement; until now the guerrillas have been able to strike at will throughout the Western Sahara and Mauritania. Similar sweeps in the past, however, have been fruitless.

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NIGERIA: Foreign Exchange Scandal

25X1 [redacted] Police authorities in Nigeria on Monday announced details of a major foreign exchange scandal involving the loss to Nigeria of an estimated \$1.6 billion through illegal currency transactions. The amount is equal to about one third of Nigeria's official foreign assets. It is unknown how Lagos will cover these obligations, but a combination of overseas borrowing and a drawdown in reserves is probable.

25X1 [redacted] The police have arrested over 200 prominent Nigerians and foreigners; no US citizens have been detained. Nigerian and foreign businessmen, and accomplices in the central bank, ports authority, customs, and probably the Ministry of Finance are involved in the scandal.

25X1 [redacted] The US embassy reports that the ruling Supreme Military Council is in a vehement mood and that observers expect an intensive witchhunt to continue for months. No military council member is known to have been involved. The highest ranking official reportedly detained so far is the assistant inspector general of police.

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[] Nonetheless, the scandal will further tarnish the regime, which has stressed its anti-corruption image. It will also provide new fuel for civilian and military critics of the government.

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[] The council may face intensified pressure from civilian groups to return power to civilians before the present target date of 1979. Another problem for the government will be to keep its witchhunt within manageable bounds and to deal with inevitable charges of high-level complicity which could exacerbate already existing strains and mutual suspicions among council members.

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[] Arrests of suspected bureaucrats will disrupt government functions and could also slow the flow of imports--and thereby aggravate existing shortages of consumer goods. In addition, some potential investors--because of the storm of controversy raised by the scandal and the prospect of new corrective regulations--may forgo plans to invest in Nigeria. Lagos is counting on substantial amounts of private investment to carry out its ongoing industrialization program.

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UK: Fluidized-Bed Combustion System

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[] The UK has a clear lead over other industrial nations in the field of fluidized-bed combustion, a more efficient technique for burning powdered coal, and can be expected to achieve a number of significant new developments in the next several years. It has expanded its capability to use low-grade, high-sulfur coal as an industrial fuel with the first commercial installation of a fluidized-bed combustion unit on an existing industrial boiler system. This technique permits greatly increased combustion efficiency and lowered air pollution while affording moderate savings in capital and operating costs for industrial heating systems.

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[] Fluidized-bed processing has been used for some time in the chemical and metallurgical fields, for example for catalytic cracking of petroleum. The recently installed British unit has a compact vertical combustion chamber containing a heat transfer medium of sand kept in turbulent suspension around embedded water tubes by the action of powerful upward-directed jets of air. Granulated coal fed into this fluidized

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bed burns completely as it circulates, releasing a far greater proportion of its energy as useful heat than would be the case under normal combustion conditions.

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[] The burner operates at atmospheric pressure and the flue gases heat a conventional water-tube boiler. The heat release is sufficient to raise about 24 metric tons of steam per hour, corresponding to about 16 megawatts thermal. Undesirable pollutants in the stack gas are controlled by adding pulverized limestone to the bed. Ash and spent limestone fall out of the fluidized bed and are removed at the bottom of the unit.

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[] Such burners could use a wide range of solid or liquid fuels--coal mine tailings, municipal refuse or residual oil. The process is particularly attractive for such countries as the US that have low-grade, high-sulfur coal but wish to maintain strict anti-pollution standards.

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[] At least three British firms are designing and testing commercial fluidized-bed combustion units for industrial boiler applications. A smaller British model designed for domestic heating has been tested in the Netherlands for two years. Large pressurized units for power plant use are still in the developmental stages.

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[] The UK's present lead in fluidized-bed combustion technology is probably only temporary. Other countries are now devoting a great deal of attention to this technique, and the UK is an active partner in many of their ventures, such as atmospheric-pressure boiler systems in Australia and South Africa, land and ship-based power plant systems in Sweden, and pressurized gas turbine power plant systems in Canada and the US.

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[] The International Energy Agency has chosen the UK to head its large pressurized fluidized-bed combustion test program. This program, funded jointly by West Germany, the UK and the US, includes construction at a UK coal mine of an experimental facility that will have a steam-raising capacity of nearly 150 tons per hour, corresponding to about 88 megawatts thermal.

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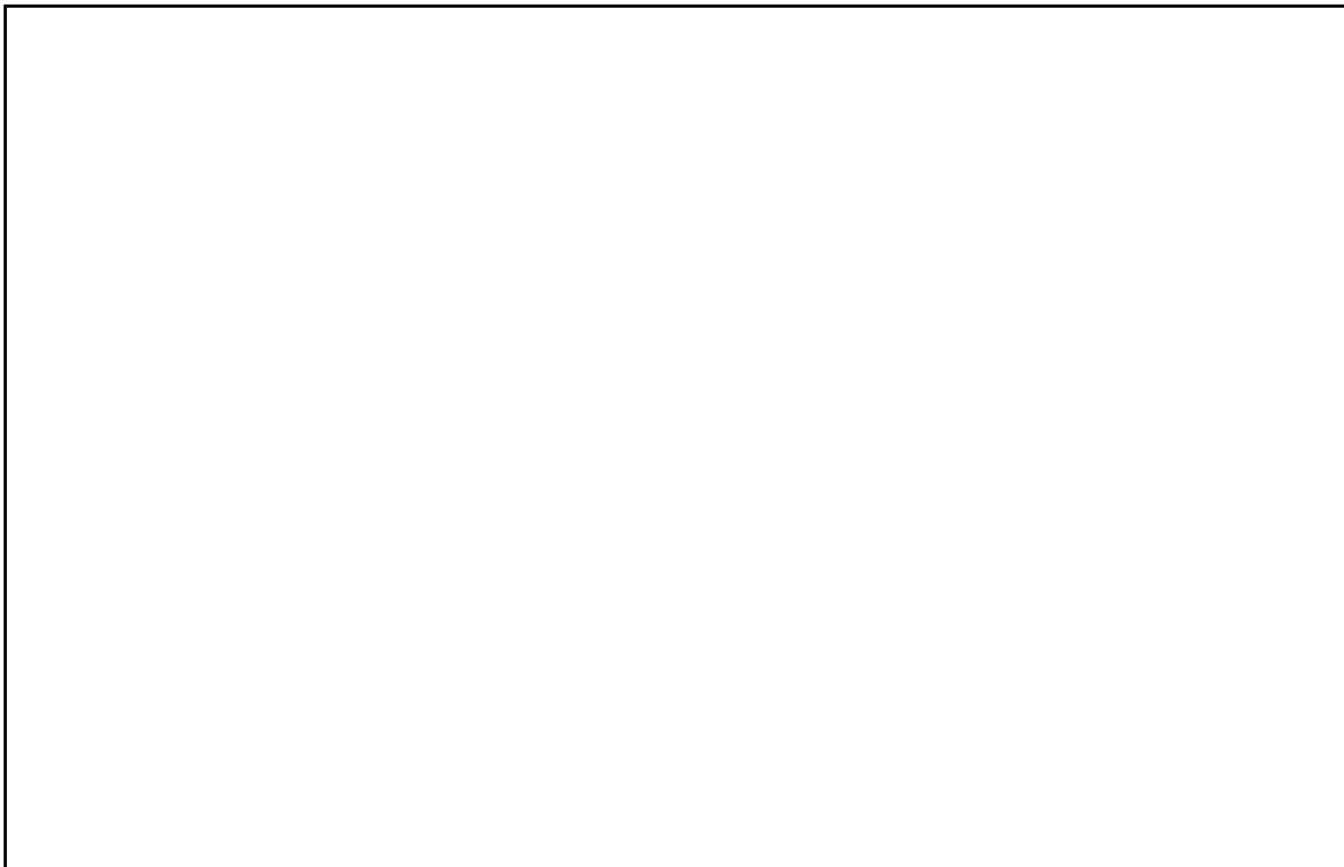
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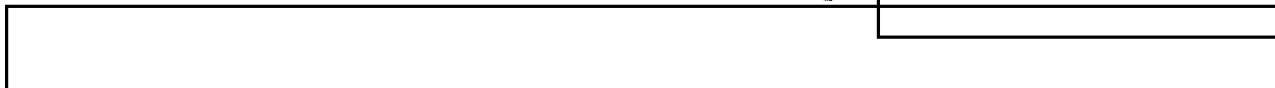
INDONESIA:

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[REDACTED] President Suharto has publicly reaffirmed his government's intention to release political detainees, according to press reports. In a speech to parliament on the eve of independence day, Suharto promised to free 20,000 of nearly 28,000 prisoners within the next two years. Those to be released have been designated ineligible for trial because of insufficient evidence of involvement in the 1965 coup attempt. The last major release was in December 1976; at that time the government said it would free all those linked to the abortive coup.

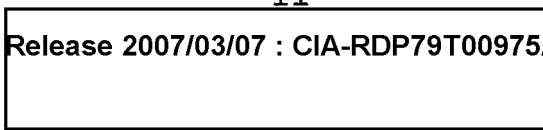
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